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February 4, 1994

~~92-660~~
92-266

William F. Caton, Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20054

Dear Mr. Caton:

On February 1, 1994, Judith McHale and Bill Goodwyn of Discovery Communications, Inc. ("DCI") and the undersigned met with James Coltharp of Commissioner Barrett's office and Maureen O'Connell of Commissioner Quello's office to discuss the effects of rate regulation on cable programmers and more specifically, on The Learning Channel ("TLC"), which is owned and operated by DCI.

In the discussion, DCI pointed out that it has had significant difficulties in attracting the level of subscribership originally projected prior to reregulation. In fact, DCI's growth projections for TLC in 1994 are only about 5%. In DCI's experience, cable operators do not appear to have a concern about the consumer acceptance of TLC, in fact, TLC has proven, in recent surveys, to be one of the most attractive services to consumers. Notwithstanding the high degree of consumer interest, cable operators have stated that the proposed rate regulations make it inadvisable to add new channels like TLC to tiers that are currently regulated.

When contemplating the introduction of rate regulation during the summer of 1993, cable operators were then willing to add new channels. This willingness was, in many cases, based on cable operators efforts to meet the September 1st deadline for the FCC's benchmark rate regulation, which would determine the fees operators could charge based on a price-per-channel calculation. During this time, TLC was able to add approximately five million new subscribers by both taking advantage of this "window of opportunity" and by offering the first year of TLC service free to subscribers. As the attached chart clearly indicates, DCI has been unable to mirror such success either prior to or after the growth indicated in the latter part of 1993.

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TLC now has approximately 28 million subscribers. However, advertiser supported channels of high quality programming require significantly higher subscriber viewership to be profitable. Networks need at least forty (40) million subscribers to make it worth advertisers while to buy time on their network. It follows that advertising revenue is in direct proportion to the number of viewers TLC attracts. Higher subscribership means higher viewership. DCI is extremely concerned that existing regulation will prevent it from reaching the levels of viewership necessary to continue to provide high quality educational programming. It is essential that the concerns expressed during the February 1st meeting are clear. DCI is confident that the adoption of the FCC's rate regulation proposals filed in the docket would remove some of the unintentional disincentives that cable operators have to add new programming to their already regulated tiers.

Sincerely,

Philip V. Permut

Philip V. Permut

PVP:lh

cc: Byron Marchant
James Coltharp
Maureen O'Connell

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TLC SUBSCRIBER GROWTH
DEC 1992 - JAN 1994